



October 20, 2014

Attorney General Martha Coakley
Office of Attorney General
One Ashburton Place
Boston, MA 02108

Dear Madam Attorney General:

The Amended Final Judgment by Consent should not be approved. In our previous letter to you we raised concerns about the proposed acquisition of Hallmark Health and South Shore Hospital by Partners Healthcare. Specifically we noted:

- Reports from your office and the Blue Cross Blue Shield Foundation of MA show that excess market power does not lead to improved health outcomes but has led to higher prices for health care consumers
- A significant discrepancy between pricing at Partners facilities compared with other area hospitals
- Component contracting does not substitute for a competitive market
- The acquisition will result in the funneling of patients into the highest cost hospitals for services (MGH and BWH)
- An existing void in competition in the Lynn area would grow to cover larger portions of the North Shore and portions of the South Shore with this acquisition
- There are precedents for stopping mergers to eliminate excess market power in Illinois, Ohio and Idaho.

While we recognize and appreciate your landmark work on these issues, our concerns remain.

History

The history leading up to this merger causes us significant concern that Partners will make decisions that do not support the public interest but rather their bottom line. They have focused on increasing market power and increasing prices.

- 1994: Partners Healthcare is formed – originally a merger between MGH and BWH
- 2000: Partners Healthcare and Blue Cross Blue Shield of MA make a deal to increase prices.

- 2006: MA Healthcare Reform passed
- 2008: Boston Globe releases 'A Handshake that Made Healthcare History' describing how Partners Healthcare drove up medical prices
- 2010, 2011, 2012: Your office issues landmark reports on healthcare prices in MA.
- 2012: MA passes Chapter 224 of MA acts of 2012 attempting to address increasing health care prices. It put in place a limit on price increases and establishes the Health Policy Commission.
- 2013: Blue Cross Blue Shield Foundation issues a report demonstrating that higher prices are not correlated with better care; Rather, market power is correlated with higher prices.
- 2013: Partners Healthcare proposes acquiring Hallmark Health and South Shore Hospitals – further increasing their market power. The newly formed Health Policy Commission raises serious concerns about this acquisition.
- 2014: The Attorney General files a complaint and subsequently filed a proposed Consent Judgment regarding the proposed acquisition.

During this period, health care prices have increased well beyond increases in the consumer price index, the standard measure of inflation. According to reports from the Kaiser Family Foundation, family coverage in the Northeast region in 1999 was \$6,441. In 2014 the average cost for family coverage rose to \$17,772 – a 175% increase from 1999. To apply caps consistent with the CPI in 2014, means we are institutionalizing already unparalleled high prices as an acceptable base amount.

If Partners Healthcare had demonstrated a commitment to the public interest in the past, there would be less concern about this acquisition. Unfortunately, Partners Healthcare has demonstrated they consistently make decisions to leverage market dominance to maximize profit. Partners Healthcare's excessive market power must be curtailed for the good of the public.

Argument

The Amended Final Judgment by Consent does not satisfy our concerns with the Final Judgment by Consent and we remain convinced that this acquisition will lead to increased prices and an anti-competitive market for health care consumers in Massachusetts.

- Amendment 1 extends the price caps to cover the current Hallmark facilities. This does not address the patient stream from Hallmark into much more expensive Partners facilities.

- Amendment 2 preserves the level of psychiatric /behavioral health services at Partners Hallmark and North Shore facilities for 5 years. The five year limit does not replace a competitive market. After five years, patients will be funneled into more expensive facilities, and the total number of psychiatric beds may decrease.
- Amendment 3 proposes new technology to allow for component contacting and to deal with out of network referrals. We do not believe this is a complete proposal, but rather a place holder for a future solution. A concrete plan should be in place.
- Amendment 4 proposed the Compliance monitor include information on risk sharing arrangements with Partners Healthcare. This is not a complete proposal; it is a place holder for a future solution. New Risk sharing arrangements are being negotiated across the health care marketplace, including by Partners. Reporting on these arrangements is necessary, but does not address our concerns listed above.

The amendments do not satisfy the public interest in the original complaint: the amendments do not diminish excess market power and are not a substitute for a competitive healthcare market. Partners will leverage their increased market power to increase profits and diminish choice in the market. This situation will grow worse when the term of the Final Judgment by Consent expires. We believe the judge must protect the public interest and allow competition to properly adjust prices in Massachusetts.

Sincerely,



Joseph Mokos
Regional Healthcare Delivery Director

Monthly and Annual Premiums for Workers in Conventional, HMO, PPO, and POS Plans, by Region, 1999

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
CONVENTIONAL PLANS				
Northeast	\$197	\$500	\$2,365	\$6,004
Midwest	212	519	2,547	6,234
South	185	468	2,222	5,612
West	250*	478	2,995*	5,733
ALL REGIONS	202	491	2,420	5,891
HMO PLANS				
Northeast	\$170	\$486	\$2,036	\$5,831
Midwest	157	445	1,881	5,345
South	153	457	1,831	5,480
West	201	397*	2,413	4,762*
ALL REGIONS	169	445	2,025	5,342
PPO PLANS				
Northeast	\$213	\$567*	\$2,550	\$6,799*
Midwest	182	468	2,186	5,619
South	183	476	2,200	5,711
West	247	496	2,967	5,951
ALL REGIONS	195	468	2,345	5,862
POS PLANS				
Northeast	\$206	\$562*	\$2,474	\$6,742*
Midwest	170*	452*	2,040*	5,421*
South	183	493	2,198	5,917
West	237	412	2,839	4,944
ALL REGIONS	198	496	2,373	5,951
ALL PLAN TYPES				
Northeast	\$197	\$537*	\$2,368	\$6,441*
Midwest	176	465	2,117	5,574
South	176	474	2,113	5,694
West	226	435	2,714	5,217
ALL REGIONS	189	478	2,270	5,742

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

* Region estimate is statistically different from All Regions within a plan type.

Employer Health Benefits 2014 Annual Survey

Section one

Cost of Health Insurance

Exhibit 1.3
Average Monthly and Annual Premiums for Covered Workers, by Plan Type and Region, 2014

	Monthly		Annual	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
HMO				
Northeast	\$566*	\$1,578*	\$6,794*	\$18,938*
Midwest	\$543	\$1,422	\$6,516	\$17,066
South	\$467*	\$1,368	\$5,599*	\$16,420
West	\$514	\$1,432	\$6,171	\$17,188
ALL REGIONS	\$519	\$1,449	\$6,223	\$17,383
PPO				
Northeast	\$546	\$1,548*	\$6,555	\$18,678*
Midwest	\$538	\$1,487	\$6,453	\$17,839
South	\$495*	\$1,378*	\$5,937*	\$16,531*
West	\$515	\$1,428	\$6,176	\$17,130
ALL REGIONS	\$518	\$1,444	\$6,217	\$17,333
POS				
Northeast	\$564*	\$1,392	\$6,773*	\$16,708
Midwest	\$484	\$1,341	\$5,805	\$16,096
South	\$430*	\$1,169*	\$5,158*	\$14,026*
West	\$605	\$1,507	\$7,257	\$18,083
ALL REGIONS	\$514	\$1,336	\$6,166	\$16,037
HDHP/SO				
Northeast	\$435	\$1,271	\$5,215	\$15,254
Midwest	\$432	\$1,233	\$5,186	\$14,792
South	\$434	\$1,294	\$5,214	\$15,530
West	\$478	\$1,364	\$5,733	\$16,365
ALL REGIONS	\$442	\$1,283	\$5,299	\$15,401
ALL PLANS				
Northeast	\$531*	\$1,481*	\$6,369*	\$17,772*
Midwest	\$505	\$1,400	\$6,060	\$16,800
South	\$477*	\$1,347*	\$5,720*	\$16,170*
West	\$514	\$1,422	\$6,163	\$17,067
ALL REGIONS	\$502	\$1,403	\$6,025	\$16,834

* Estimate is statistically different within plan and coverage types from estimate for all firms not in the indicated region ($p < .05$).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.